

5. SELF-SUFFICIENCY INDICATORS

Expected years in retirement

The indicator of expected years in retirement illustrates the average years of remaining life expectancy from the age of labour market exit. The indicator demonstrates how pension systems interact with labour market exit and reveals the financial pressures on the pension system in the context of an ageing population.

Men and women can expect to spend respectively 17.8 and 22.5 years in retirement on average (Figure 5.13). The most recent calculations of expected years in retirement exceed 20 years for men in Austria, Belgium, France, Greece, Italy, Luxembourg and Spain (Figure 5.13, Panel A). The duration exceeds 25 years for women in Austria, Belgium, France, Greece, Italy, Luxembourg, Slovenia and Spain (Figure 5.13, Panel B). The number of expected years in retirement was notably low for men in Korea and Mexico – less than 14 years – and for women in Korea, Mexico and Turkey – under 20 years.

Women can expect to spend, on average, almost five years longer in retirement than men. In most Eastern European and South American countries, as well as in Portugal, the gender gap was at least six years. Longer periods in retirement expose women to old age poverty, in particular in those countries where price indexation of pension payment magnifies the gender pay gap.

The expected years in retirement for women in emerging countries varies from 25 years in Costa Rica to 18 years in South Africa. The variation is less for men, who can expect 13 to 15 years in retirement. While the effective age of labour force exit in Costa Rica was more than nine years lower for women than for men, the difference in South Africa was only one to two years.

The average expected number of years in retirement across OECD countries has increased over time. **In 1970, men in OECD countries spent, on average, ten years in retirement and by 2017, this average increased to 18 years** (Figure 5.14, Panel A). The increase in the expected years in retirement was similar for women; increasing from 14 years on average in 1970 to 22 years in 2017 (Figure 5.14, Panel B).

The increase in the expected years in retirement from 1970 to 2017 is due to both a drop in the effective exit age from the labour force and increased longevity. The effective age of labour force exit decreased gradually from 1970 to the late 1990s for both men and women. After a few relatively stable years, the average effective exit age started to increase slowly from the early 2000s. It increased by two years for both men and women between the mid-2000s and 2017.

Life expectancy at the effective exit age from the labour force increased substantially during this period, particularly for women, and over the last two decades for men as well. In the last few years, this increase in life expectancy at the effective exit age has been fairly equal to that of the effective exit age from the labour market, and potential years in retirement have stabilised.

Definition and measurement

Expected years in retirement is a calculation of remaining life expectancy from the time of effective age of labour force exit for men and women.

The average effective age of labour force exit is calculated as a weighted average of (net) withdrawals from the labour market at different ages over a five-year period for workers initially aged 40 and over. In order to abstract from compositional effects in the age structure of the population, labour force withdrawals are estimated based on changes in labour force participation rates rather than labour force levels. These changes are calculated for each (synthetic) cohort divided into five-year age groups. For more discussion see OECD (2017).

Estimates of the number of years of additional life are calculated based from the UN World Population Prospects, the 2017 revision dataset.

Further reading

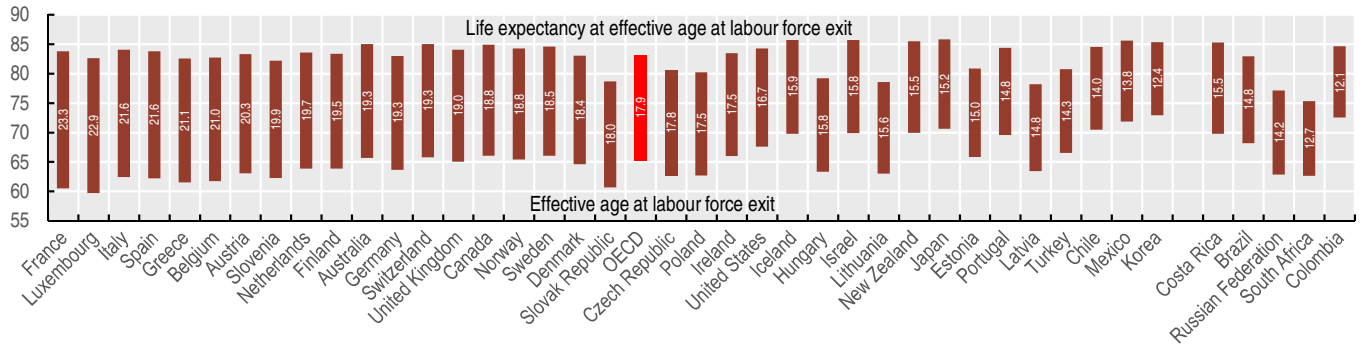
OECD (2017), *Pensions at a Glance 2017: OECD and G20 Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/pension_glance-2017-en.

Figure notes

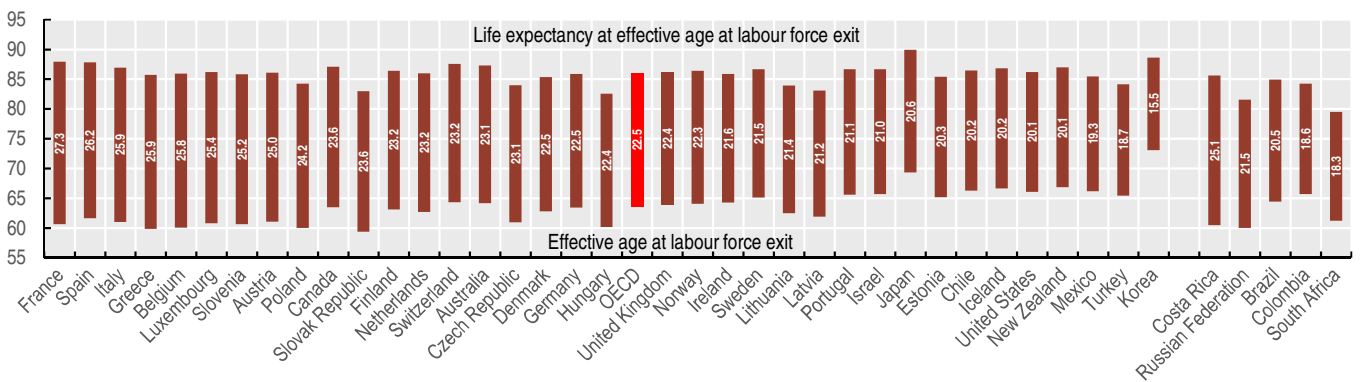
Figure 5.14: OECD refers to an unweighted average of 36 OECD countries; 1970-95 data are trended from 28 countries, as information for Czech Republic, Iceland, Israel, Latvia, Lithuania, Mexico, Slovak Republic and Slovenia is not available from 1970.

5.13. Women spend almost five more years in retirement than men

Panel A. Expected years in retirement for men in 2017



Panel B. Expected years in retirement for women in 2017



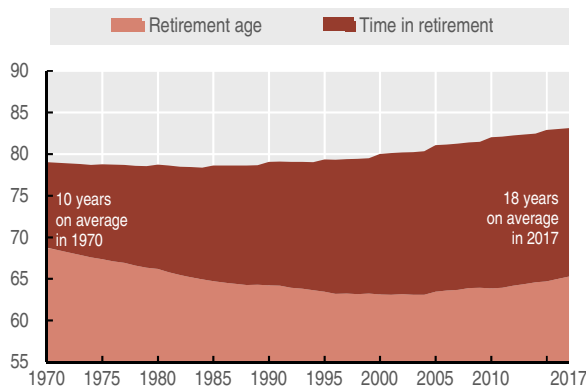
Source: OECD (2017), *Pensions at a Glance 2017*, OECD Publishing, Paris, https://doi.org/10.1787/pension_glance-2017-en.

StatLink <http://dx.doi.org/10.1787/888933938971>

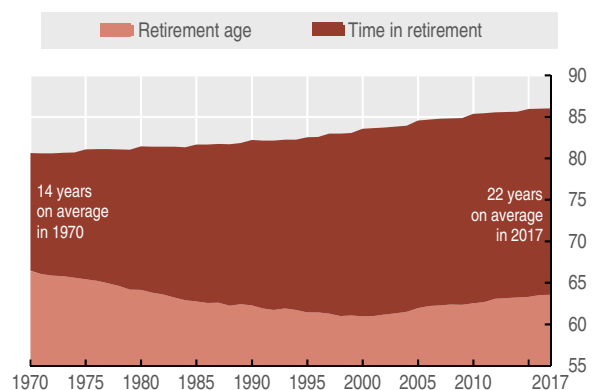
5.14. Men and women spend 7.5 more years in retirement in 2017 than in 1970

Trend in age at labour market exit and years in retirement, 1970 to 2017, OECD average

Panel A. Men



Panel B. Women



Source: OECD (2017), *Pensions at a Glance 2017*, OECD Publishing, Paris, https://doi.org/10.1787/pension_glance-2017-en.

StatLink <http://dx.doi.org/10.1787/888933938990>



From:
Society at a Glance 2019
OECD Social Indicators

Access the complete publication at:
https://doi.org/10.1787/soc_glance-2019-en

Please cite this chapter as:

OECD (2019), "Expected years in retirement", in *Society at a Glance 2019: OECD Social Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/ac0e699f-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.